

MULTIMEDIA



UNIVERSITY

STUDENT IDENTIFICATION NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2016/2017

BFN3204 – CREDIT ANALYSIS AND LENDING MANAGEMENT

(All sections / Groups)

29th May 2017
9.00 a.m. – 11.00 a.m.
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Questions paper consists of 2 pages with 4 Questions only.
2. Attempt ALL questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

KUALA LUMPUR (NewsRise) - Malaysian central bank's recent decision to hold its policy rate steady could offer short-term relief to lenders, but higher provisioning toward bad debts amid a slowing economy will continue to cloud prospects of the banking sector. Loan growth at Malaysian banks have decelerated for the 10th consecutive month in July, expanding at 5.1% year-on-year with both business and household loans registering slower growth, according to data from the central bank.

"Credit quality will remain a key determining factor of earnings resilience as overall credit growth remains subdued," said UOB Kay Hian analyst Keith Wee. "Corporate loan-centric banks are facing greater provision pressure while consumer non-performing loans have held up stronger than expected, he added.

Malaysia's economic growth has decelerated for five straight quarters while cost of living edged higher. That has prompted consumers to delay or scrap plans to spend big bucks on items such as real estate and cars, leading to a moderation in household credit growth.

September 8, 2016 6:36 pm JST

Required:

- a) Briefly discuss **FOUR (4)** types of credit qualities of the borrowers required by most of the banks. (16 marks)
- b) Why non-performing loan (NPL) is increasing as reported in the statement above? Explain your answer by providing **THREE (3)** reasons of the increasing of NPL. (9 marks)

(Total: 25 marks)

QUESTION 2

- a) Credit scoring models are used by most of credit companies and financial institutions. Critically explain **FIVE (5)** advantages of credit scoring. (15 marks)
- b) Explain **TWO (2)** credit risk assessment process. (10 marks)

(Total: 25 marks)

Continued...

QUESTION 3

Bank Negara Malaysia ("BNM") has revised the guidelines on Restructured and Rescheduled ("R & R") loans. Under the new guidelines, with effect from 1 April 2015, R & R loans will be classified as impaired in the Central Credit Reference Information System ("CCRIS"). An R & R facility is where a modification has been made to the original repayment terms and conditions of the loan, following an increase in the credit risk of a customer.

- a) Why there is a need for loan restructuring? Provide **THREE (3)** justification of the need for loan restructuring. (13 marks)
- b) Discuss **THREE (3)** utmost important purpose of debt collection. (12 marks)

(Total: 25 marks)

QUESTION 4

- a) The High Court makes a Receiving Order and Adjudication Order after a bankruptcy petition has been presented. Differentiate bankruptcy by creditor's petition and by debtor's petition. (9 marks)
- b) Explain the credit and lending management during the recession and recovery period. (16 marks)

(Total: 25 marks)

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